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July 22, 1996

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

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RE: Ex Parte Presentation
CC Docket 96-98

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Dear Mr. Caton:

On Friday, July 19, 1996, Pam Brander and I met with Ed Krachmer, Doug Slotten, Anthony Bush, and Cameron Kashani of the Common Carrier Bureau to discuss AT&T's public position on avoided costs for resold local services.

Further, in response to a request from the Commission Staff, AT&T has used data from publicly available RBOC ARMIS reports to calculate an overall avoided cost discount for each of the RBOCs, as well as an aggregated avoided cost discount for all RBOCs. The attached document sets forth the results of these calculations. These calculations are less complex or refined than those used in AT&T's Avoided Cost Model (the "Model"), documentation of which was filed with the Commission as Exhibit E to the Reply Comments of AT&T Corp. in CC Docket No. 96-98, because the Model assigns ILEC revenues and expenses to, and determines an avoided cost discount for, each of five ILEC lines of business: Access; Miscellaneous; Private Line; Toll and Local. Nevertheless, these overall RBOC calculations result in avoided cost discounts ranging from 31% to 44%, and thus validate the Model's methodology.

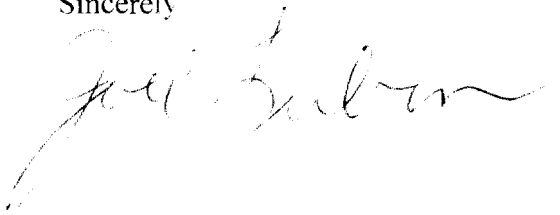
Due to the very slight error in the entry of Bell Atlantic's data for Accounts 6533 and 6534, the data underlying this submission differ from those incorporated in AT&T's July 17th submission. The effect of these corrected data is to reduce Bell Atlantic's ratio of Avoided Direct Retail Expense from 23.57% to 23.55%, ratio of Avoided Indirect Retail Expense from 9.08% to 9.07%, and ratio of Total Avoided Cost from 32.66% to 32.62%. In addition, Operations Plant Administration was previously mislabeled as Account 6544 rather than its correct label of Account 6534.

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Because the meeting was held late in the day, two copies of this Notice are being submitted on the following business day to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules. Also submitted is a diskette that demonstrates electronically these calculations and their supporting data. Copies of the diskette are available from ITS.

Sincerely

A handwritten signature in dark ink, appearing to read "Joel S. Kline", written in a cursive style.

Attachment

cc: A. Bush
C. Kashani
E. Krachmer
D. Slotten

Avoided Cost Discount Calculation

Account	Category	Ameritech	Bell Atlantic	Bell South	NYNEX	PacTel	USWEST	SWBell	All RBOCs
	Total Regulated Operating Revenues,	\$ 10,493,325	\$ 10,891,850	\$ 13,633,412	\$ 12,032,473	\$ 7,783,929	\$ 9,024,090	\$ 8,452,147	\$ 72,311,226
	Prior to Uncollectibles Adjust.								
5080	Total Network Access Rev. Inc. EUCL	\$ 2,816,571	\$ 3,397,534	\$ 4,181,256	\$ 3,567,961	\$ 2,415,349	\$ 3,124,743	\$ 3,066,668	\$ 22,570,082
5200	Miscellaneous Revenues	\$ 615,813	\$ 603,636	\$ 1,026,635	\$ 697,207	\$ 302,104	\$ 355,373	\$ 261,290	\$ 3,862,058
	Total Rev. Not Subject to Discount	\$ 3,432,384	\$ 4,001,170	\$ 5,207,891	\$ 4,265,168	\$ 2,717,453	\$ 3,480,116	\$ 3,327,958	\$ 26,432,140
	Revenues, net of Access & Misc.**	\$ 7,060,941	\$ 6,890,680	\$ 8,425,521	\$ 7,767,305	\$ 5,066,476	\$ 5,543,974	\$ 5,124,189	\$ 45,879,086
	Avoided Direct Retail Expenses: Regulated RBOC Financials								
5300	Uncollectibles	\$ 127,639	\$ 134,287	\$ 116,023	\$ 161,134	\$ 114,388	\$ 71,021	\$ 73,130	\$ 797,622
6610	Marketing Expense	\$ 519,770	\$ 345,253	\$ 514,960	\$ 547,317	\$ 426,096	\$ 358,817	\$ 230,163	\$ 2,942,376
6611	Product Management	\$ 162,719	\$ 102,616	\$ 124,659	\$ 249,001	\$ 117,562	\$ 108,245	\$ 39,047	\$ 903,849
6612	Sales	\$ 239,891	\$ 196,716	\$ 290,527	\$ 207,850	\$ 244,910	\$ 196,735	\$ 136,493	\$ 1,513,122
6613	Advertising	\$ 117,160	\$ 45,921	\$ 99,774	\$ 90,466	\$ 63,624	\$ 53,837	\$ 54,623	\$ 525,405
6620	Services Expense	\$ 1,184,150	\$ 1,065,514	\$ 1,182,915	\$ 1,181,271	\$ 929,136	\$ 831,876	\$ 874,173	\$ 7,249,035
6621	Call Completion	\$ 77,339	\$ 64,085	\$ 67,847	\$ 92,653	\$ 80,045	\$ 52,526	\$ 72,774	\$ 507,269
6622	Number Services	\$ 209,358	\$ 279,294	\$ 198,065	\$ 206,891	\$ 213,548	\$ 125,498	\$ 231,616	\$ 1,464,270
6623	Customer Services	\$ 897,453	\$ 722,135	\$ 917,003	\$ 881,727	\$ 635,543	\$ 653,852	\$ 569,783	\$ 5,277,496
6220	Operator Systems Expense	\$ 5,103	\$ 5,229	\$ 24,481	\$ 312	\$ 17,912	\$ 193	\$ 14,225	\$ 67,455
6533	Operations Testing***	\$ 29,115	\$ 45,695	\$ 42,006	\$ 54,672	\$ 33,027	\$ 22,990	\$ 39,072	\$ 266,577
6534	Operations Plant Admin***	\$ 45,624	\$ 26,437	\$ 62,490	\$ 48,491	\$ 45,604	\$ 63,208	\$ 30,142	\$ 321,996
	Total Avoided Direct Retail Expenses	\$ 1,911,402	\$ 1,622,415	\$ 1,942,875	\$ 1,993,198	\$ 1,566,163	\$ 1,348,105	\$ 1,260,904	\$ 11,645,061
	Ratio, Avoided Direct Retail Expense to Revenues, Net of Access & Misc.	27.07%	23.55%	23.06%	25.66%	30.91%	24.32%	24.61%	25.38%
	Avoided Indirect Expense****								
6110	Network Support	\$ 6,744	\$ 1,810	\$ 4,388	\$ 3,636	\$ 2,931	\$ 2,069	\$ 2,621	\$ 24,198
6120	General Support	\$ 178,384	\$ 192,967	\$ 174,878	\$ 227,091	\$ 117,953	\$ 136,669	\$ 106,516	\$ 1,134,457
	Assignable Depreciation Exp.	\$ 103,946	\$ 119,768	\$ 123,457	\$ 98,336	\$ 121,060	\$ 109,301	\$ 82,556	\$ 758,424
	Gen'l Support Assets	\$ 96,262	\$ 110,698	\$ 113,204	\$ 90,435	\$ 113,037	\$ 105,871	\$ 73,068	\$ 702,574
	Operator Systems	\$ 7,683	\$ 9,070	\$ 10,253	\$ 7,901	\$ 8,023	\$ 3,430	\$ 9,488	\$ 55,849
6710	Executive and Planning	\$ 13,225	\$ 15,513	\$ 14,441	\$ 22,321	\$ 13,929	\$ 23,019	\$ 17,458	\$ 119,905
6720	General & Administrative	\$ 270,075	\$ 295,142	\$ 372,091	\$ 508,805	\$ 410,843	\$ 252,722	\$ 195,661	\$ 2,305,338
	Total Avoided Indirect Expense	\$ 572,373	\$ 625,199	\$ 689,255	\$ 860,188	\$ 666,716	\$ 523,781	\$ 404,811	\$ 4,342,323
	Ratio of Avoided Indirect Exp to Regulated Revenue, net of Access, Misc. Revs.	8.11%	9.07%	8.18%	11.07%	13.16%	9.45%	7.90%	9.46%

Total Avoided Costs	\$ 2,483,775	\$ 2,247,614	\$ 2,632,129	\$ 2,853,386	\$ 2,232,879	\$ 1,871,886	\$ 1,665,715	\$ 15,987,384
Ratio of Avoided Costs to Regulated Revenue, net of Access, Misc. Revs.	35.18%	32.62%	31.24%	36.74%	44.07%	33.76%	32.51%	34.85%

* Revenue and expense data derived from COSA-specific ARMIS 43-03 reports. COSA-specific, regulated revenues and expenses were summed to develop RBOC level account data.

** Definition conforms to that used in AT&T's "Avoided Cost" Model

*** Per AT&T's Avoided Cost Model, twenty percent of costs booked to these accounts are deemed avoided.

**** Indirect expenses avoided as shown on "Indirect Expense Worksheet", except for Operator Systems, which is totally avoided. Avoided indirect expenses for accounts other than Operator Systems are calculated as the product of total account value and the indirect expense allocation factor.

Indirect Expense Worksheet

Indirect Expense Worksheet

Account	Category	Ameritech	Bell Atlantic	Bell South	NYNEX	PacTel	USWEST	SWBell
Indirect Expenses: Regulated RBOC Financials								
Total Account Values to be Allocated								
6110	Network Support	\$ 19,605	\$ 6,517	\$ 16,465	\$ 12,070	\$ 8,678	\$ 7,850	\$ 9,570
6120	General Support	\$ 518,553	\$ 694,669	\$ 656,255	\$ 753,941	\$ 349,260	\$ 518,555	\$ 388,947
	Assignable Depreciation Exp.	\$ 287,513	\$ 407,575	\$ 435,065	\$ 308,146	\$ 342,727	\$ 405,131	\$ 276,297
Allocated	Gen'l Support Assets	\$ 279,829	\$ 398,505	\$ 424,812	\$ 300,245	\$ 334,703	\$ 401,701	\$ 266,809
Allocated	Operator Systems	\$ 7,683	\$ 9,070	\$ 10,253	\$ 7,901	\$ 8,023	\$ 3,430	\$ 9,488
6710	Executive and Planning	\$ 38,444	\$ 55,845	\$ 54,191	\$ 74,106	\$ 41,244	\$ 87,341	\$ 63,747
6720	General & Administrative	\$ 785,095	\$ 1,062,494	\$ 1,396,321	\$ 1,689,232	\$ 1,216,509	\$ 958,888	\$ 714,463
	Total Indirect Expense	\$ 1,649,210	\$ 2,227,100	\$ 2,558,297	\$ 2,837,495	\$ 1,958,418	\$ 1,977,765	\$ 1,453,024
Derivation of Depreciation Expense Allocation Factors								
	Total Plant In Service (ARMIS 43-02)	\$ 27,747,315	\$ 32,016,520	\$ 42,933,966	\$ 32,131,246	\$ 25,946,601	\$ 29,976,901	\$ 27,683,350
	Total Land and Support Assets	\$ 4,183,219	\$ 5,203,866	\$ 6,041,581	\$ 4,239,298	\$ 4,891,871	\$ 5,333,315	\$ 4,246,849
	Operator Systems	\$ 114,861	\$ 118,443	\$ 145,823	\$ 111,556	\$ 117,265	\$ 45,540	\$ 151,022
	Depreciation Allocation Factors							
	Ratio Support/TPIS	15.08%	16.25%	14.07%	13.19%	18.85%	17.79%	15.34%
	Ratio Op Sys/TPIS	0.41%	0.37%	0.34%	0.35%	0.45%	0.15%	0.55%
6560	Total Allocable Depreciation Expense	\$ 1,856,110	\$ 2,451,783	\$ 3,018,888	\$ 2,275,670	\$ 1,775,275	\$ 2,257,836	\$ 1,739,209
Indirect Expense Allocation Factors								
	Total Costs and Expense	\$ 7,077,927	\$ 7,933,418	\$ 9,733,176	\$ 9,293,775	\$ 6,481,452	\$ 7,021,778	\$ 5,984,129
	Uncollectibles	\$ 127,639	\$ 134,287	\$ 116,023	\$ 161,134	\$ 114,388	\$ 71,021	\$ 73,130
	Total C&E + Uncollectibles	\$ 7,205,566	\$ 8,067,705	\$ 9,849,199	\$ 9,454,909	\$ 6,595,840	\$ 7,092,799	\$ 6,057,259
	Total Indirect Expenses	\$ 1,649,210	\$ 2,227,100	\$ 2,558,297	\$ 2,837,495	\$ 1,958,418	\$ 1,977,765	\$ 1,453,024
	Balance: Total Direct Expense	\$ 5,556,356	\$ 5,840,605	\$ 7,290,902	\$ 6,617,414	\$ 4,637,422	\$ 5,115,034	\$ 4,604,235
	Avoided Direct Retail Expenses	\$ 1,911,402	\$ 1,622,415	\$ 1,942,875	\$ 1,993,198	\$ 1,566,163	\$ 1,348,105	\$ 1,260,904
	Allocation Factor	34.4%	27.8%	26.6%	30.1%	33.8%	26.4%	27.4%
	(Avoided Direct/Total Direct)							

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